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In the Supreme Court of the United States

OCTOBER TERM, 1978

No.

78-1322

PITTWAY CORPORATION,
Petitioner,

v.

HAROLD BURKE, ET AL.,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI TO THE
APPELLATE COURT OF ILLINOIS, FIRST DISTRICT**

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The Petitioner, Pittway Corporation, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the Appellate Court of Illinois, First District, entered in this proceeding on May 3, 1978.

OPINION BELOW

The opinion of the Illinois Appellate Court, First District, as modified upon denial of a petition for rehearing, is reported at 63 Ill. App. 3d 354 and 380 N.E. 2d 1. This opinion is included as Appendix A hereto.

JURISDICTION

The first opinion of the Illinois Appellate Court was issued on May 3, 1978. A timely petition for rehearing

was filed and a modified opinion (Appendix A), which was the judgment of that court, was entered on September 6, 1978. A timely petition for leave to appeal was denied without opinion by the Illinois Supreme Court on November 30, 1978. This denial is shown by a letter, attached as Appendix D hereto. This petition for certiorari was filed within 90 days of November 30, 1978. This Court's jurisdiction is invoked under 28 U.S.C. § 1257(3).

QUESTION PRESENTED

Whether the accepted jurisdictional test applicable in determining whether an action "arises under" the federal courts' non-exclusive federal jurisdiction (28 U.S.C. § 1331(a)) is equally applicable in determining whether the action is one "arising under" the federal courts' exclusive jurisdiction in patent cases (28 U.S.C. § 1338(a))?

STATUTORY PROVISIONS INVOLVED

The main statutes relied upon are 28 U.S.C. § 1331(a) and 28 U.S.C. § 1338(a), which are set forth below.

§ 1331. Federal question; amount in controversy; costs

(a) The district court shall have original jurisdiction of all civil actions wherein the matter in controversy exceeds the sum or value of \$10,000, exclusive of interest and costs, and arises under the Constitution, laws, or treaties of the United States except that no such sum or value shall be required in any such action brought against the United States, any agency thereof, or any officer or employee thereof in his official capacity.

As amended Oct. 21, 1976, Pub. L. 94-547, § 2, 90 Stat. 2721.

§ 1338. Patents, plant variety protection, copyrights, trade-marks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the state in patent, plant variety protection and copyright cases.

As amended, Dec. 24, 1970, Pub. L. 91-577, Title III, § 143(b), 84 Stat. 1559.

Other statutes relied upon are included in Appendix C hereto. These statutes are 35 U.S.C. § 102, 35 U.S.C. § 103, 35 U.S.C. § 112, 35 U.S.C. § 251, 35 U.S.C. § 252, 35 U.S.C. § 271 and 35 U.S.C. § 281.

STATEMENT OF THE CASE

The Facts

The plaintiffs are some of the former shareholders of BRK Electronics, Inc. (hereinafter "BRK"). Pittway acquired all the BRK stock from the plaintiffs and others (hereinafter "former shareholders") pursuant to an agreement dated as of February 28, 1970. (Appendix 2a). Among the assets of BRK acquired was U.S. Patent Application No. 709,415 (hereinafter "the Original Patent Application"), which disclosed and claimed a smoke detector. Pursuant to the agreement (Section 1.3(b), Appendix 30a), Pittway was to pay to the former shareholders a specific amount for each device covered by patents or pending patent applications (including the Original Patent Application) owned by BRK at the time of acquisition. (Appendix 2a).

Section 6.4 of the agreement required Pittway to make "reasonable businesslike efforts to prosecute all of the pending patent applications" or, if Pittway duly elected to discontinue such efforts, to give plaintiffs "timely notice" that it was doing so. (Appendix 32a).

The Original Patent Application covered a smoke detection device which contained two batteries. One of the batteries monitored the battery which operated the device. When the operative battery became low, the monitor battery caused the device to give an alarm in order that the operative battery could be replaced. A circuit was then devised which made it possible to eliminate the second battery. By the use of this circuit, the single battery both operates the device and energizes a warning when the battery is low. (Appendix 2a, 3a).

On October 28, 1970, Pittway attempted to file as patentable an amendment to the Patent Application adding "claim 13," which would have extended the patent to cover a single battery smoke detector. The Patent Office refused to permit the amendment to be entered. Pittway made no further effort to obtain allowance of claim 13 and did not notify plaintiffs to do so; and the patent No. 3,594,751 ("Original Patent") was issued on July 20, 1971, pursuant to the Original Patent Application without claim 13. (Appendix 3a).

On June 18, 1973, the Original Patent and other patent rights were transferred back to a committee of the former shareholders, and Pittway ceased to have any interest in that patent or the other patent rights transferred back. (Appendix 3a).

Thereafter, the BRK Shareholders Committee filed a new application to reissue the Original Patent pursuant to 35 U.S.C. § 251. This application resulted in Reissue Patent No. 28,915 ("Reissue Patent") which included claims similar to claim 13 drawn to cover a single battery detector. (Appendix 19a, 20a).

Just before the Reissue Patent issued, plaintiffs filed the six count complaint in suit, which complaint is Appendix B hereto. Five counts (counts I, II, IV, V, and VI) are based on Section 6.4 of the agreement and assert, in substance, that claim 13 and further claims like those allowed in the Reissue Patent should have been sought and

obtained in the Original Patent.¹ These seek damages, without limitation of time, of (a) all amounts which Pittway would have paid the shareholders if claim 13 had been prosecuted under Section 6.4 and issued in the Original Patent and (b) all amounts which, but for Pittway's alleged violations of Section 6.4, could have been obtained from Pittway and from third parties as royalties or infringement damages on devices covered by like claims actually allowed in the Reissue Patent.

The basic allegations of these five counts are contained in paragraphs 1-33 of count I, and realleged in all the other counts. (Appendix 13a-21a). These allege that "the invention disclosed in the Original Patent Application" was a "basic invention" (par. 18); that the "intent . . . expressed in the BRK agreement" was that "the invention disclosed in the Original Patent Application would be broadly covered by claims that would issue in a United States patent based upon the Original Patent Application" (par. 21); and that "claim 13 would have provided broad patent coverage" (par. 23); and that Pittway violated Section 6.4 in failing to further prosecute and obtain allowance of claim 13 and of further claims like those allowed in the Reissue Patent.

Paragraphs 32 and 33, moreover, allege that by reason of Pittway's alleged violation of Section 6.4, "plaintiffs have been effectively precluded . . . from pursuing their

¹ The sixth count, count III, alleges that Pittway had failed to pay plaintiffs the amounts due under Section 1.3 of the BRK agreement for detection devices "covered by claim 13" for the period ending June 18, 1973, the date of the retransfer of the patent issued on the Original Patent Application. (Appendix 23a). If certiorari is granted, we reserve the right to argue that the remaining count III was likewise not within the subject matter jurisdiction of the state courts because the attempted amendment to a pending patent application, on which this count rests, was "not entered" by order of the United States Patent Office and hence, is also a claim necessarily requiring the construction and application of the United States Patent Laws.

rights under the Reissue Patent" to recover "royalties" from manufacturers of fire detectors because of "intervening rights" under 35 U.S.C. § 252.

How The Federal Questions Arise

Pittway moved to dismiss the complaint as one within the exclusive jurisdiction of the federal courts under 28 U.S.C. § 1338(a) because the complaint, on its face, necessarily required the construction and application of the United States Patent Laws, including (1) 35 U.S.C. § 112, in determining whether the unissued "claim 13" was for "the invention disclosed in the Original Patent Application," as alleged; (2) 35 U.S.C. §§ 102 and 103, in determining whether it satisfied the "conditions for patentability" so that if prosecuted it would "issue in a United States Patent," as allegedly agreed; (3) 35 U.S.C. § 251, in determining whether the Reissue Patent is for the same invention as the Original Patent; and (4) 35 U.S.C. §§ 252 and 271 in determining whether, because of the alleged acts and omissions of defendant, plaintiffs were barred by "intervening rights" from suing others for "infringement" of "patented inventions".

The trial court granted the motion but the Illinois Appellate Court (hereinafter the "court below") reversed, holding that each of the six counts of the complaint stated a claim within the subject matter jurisdiction of the state court.

In so holding, the court adopted as the general test of its subject matter jurisdiction that "a suit arises under the law that creates the cause of action," as appears from the opinion (Appendix 4a):

In American Well Works Co. v. Layne & Bowler Co. (1916), 241 U.S. 257, the Court, at p. 260, set down the rule governing cases when State jurisdiction is challenged on the basis of 28 U.S.C. 1338: "A suit

arises under the law that creates the cause of action." (Emphasis added).

The court below specifically applied this test in holding that the state court had jurisdiction of plaintiffs' claim that, by reason of Pittway's alleged violation of Section 6.4, plaintiffs were effectively precluded, under 35 U.S.C. § 252, from asserting rights under the Reissue Patent against third parties. As to this the court said in material part (Appendix 10a):

The allegations of paragraph 33 only raise patent related matter which is insufficient to bring the case within the "arising under" language of the federal patent statute. *American Well Works Co. v. Layne Bowler Co.* (1916), 241 U.S. 257.

The court did not specifically apply the test of *American Well Works* in holding that the state court had jurisdiction of the claims based on Pittway's alleged failure to prosecute and obtain allowance of claim 13. As to this, the court held that Section 6.4 did not in terms require that the claim be patentable and construed the complaint as not alleging that claim 13 was patentable. The court acknowledged, however, that, according to the allegations of the complaint, Pittway had "agreed to secure full and adequate protection for the device covered by the Original Patent Application" (Appendix 8a); and, as to one count specifically, the court held that "because plaintiffs are precluded from suing under the patent laws for infringement of an invention that was never patented, their remedy against Pittway must lie in the state court alone." (Appendix 10a).

The Jurisdiction Of This Court

The judgment below is a "final" one within the meaning of Title 28 U.S.C. § 1257(3), under which this Court has jurisdiction to review by writ of certiorari "[f]inal judgments rendered by the highest courts of a state in which

a decision could be had" where a title, right, privilege or immunity is set up or claimed "under the Constitution, treaties or statutes of, or commission held or authority exercised, under the United States."

Were the traditional test to be applied, to be sure, the denial of the motion to dismiss would not be a final judgment since the trial remains to follow. The test of "finality", however, is a "pragmatic" one (*Bradley v. Richmond School Board*, 416 U.S. 696, 722-723, n.28 (1974); *Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 477-485 (1975); *Mercantile National Bank v. Langdeau*, 371 U.S. 555 (1963)); and the judgment of the Illinois Appellate Court meets that test.

In *Mercantile National Bank*, two national banks were sued along with others in a county prescribed by a state venue statute which differed from the county prescribed by a federal statute regulating venue in suits against national banks. This Court exercised its appeal jurisdiction over a Texas Supreme Court order enforcing the state venue statute over the objections of the banks, stating that such an order was "a separate and independent matter, anterior to the merits and not enmeshed in the factual and legal issues comprising the plaintiff's cause of action," and that "it serves the policy underlying the requirement of finality in 28 U.S.C. § 1257 to determine now in which state court appellants may be tried rather than to subject them, and appellee, to long and complex litigation which may all be for naught if consideration of the preliminary question of venue is postponed until the conclusion of the proceedings." 371 U.S. at 558. Here too, the question of exclusive subject matter jurisdiction may be treated as a separate collateral issue which should be decided in advance to enforce the federal policy underlying the exclusive jurisdiction of the federal courts in cases arising under the patent laws of the United States.

The Illinois Appellate Court is, of course, the "highest court" of the State of Illinois "in which a decision could be had" within the meaning of 28 U.S.C. § 1257, since the Supreme Court of Illinois denied Pittway's timely petition for leave to appeal. *Minneapolis St. Paul and Sault Ste. Marie R. Co. v. Rock*, 279 U.S. 410 (1929).

REASON FOR GRANTING THE WRIT

The court below, in holding that the complaint did not arise under the patent laws because it sought only contract and other state created remedies, has decided an important question of federal law which has not been, but should be, determined by this court.

It is now settled that the non-exclusive "arises under" jurisdiction of the federal courts under 28 U.S.C. § 1331(a) extends whenever "some aspect of federal law is essential to plaintiff's success on the face of the complaint as alleged." See *Association of Westinghouse Salaried Employees v. Westinghouse Electric Corp.*, 348 U.S. 437, 450 (1955) (Frankfurter, J.), where the Court used a test established in *Smith v. Kansas City Title & Trust Co.*, 225 U.S. 180, 199 (1921) and reaffirmed in *Gully v. First National Bank*, 299 U.S. 109, 112 (1936). In *Gully* the Court said:

To bring a case within the statute, a right of immunity created by the Constitution or laws of the United States must be an element, and an essential one, of the plaintiff's cause of action. . . . The right or immunity must be such that it will be supported if the Constitution or laws of the United States are given one construction or effect, and defeated if they receive another.

Whether the same test should be applied under 28 U.S.C. § 1338(a) in determining if a case is one "arising under" the patent laws and thus within the exclusive sub-

ject matter jurisdiction of the federal district courts, however, is unsettled.

Early decisions of this Court indicated that the test to be applied in patent cases was the same as that subsequently approved in *Smith and Gully*.

In *Wilson v. Sandford*, 51 U.S. (10 How.) 99, 101 (1850), the Court held that it had no jurisdiction of an appeal under a statute limited to "cases arising under any law of the United States, granting or confirming to inventors the exclusive right to their inventions or discoveries." There the complaint, as a condition of an injunction against "infringement" of a patent, sought a forfeiture of a patent license agreement because of defendant's default in paying when due certain promissory notes given as consideration for the license. The Court said (51 U.S. (10 How.) at 101-102):

[T]he dispute in this case does not arise under any act of Congress; *nor does the decision depend upon the construction of any law in relation to patents.* It arises out of the contract stated in the bill; and . . . [t]he rights of the parties depend altogether upon common law and equity principles. (Emphasis added).

In *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897), an action to recover the agreed price for a patented machine, the Court said:

The action under consideration is not one arising under the patent right laws of the United States in any proper sense of the term. To constitute such a cause the plaintiff must set up some right, title, or interest under the patent laws, or *at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws.* (Emphasis added).

Thus, the tests applied in *Wilson* and *Pratt*² are substantially identical to that later stated by this Court in *Smith and Gully*.

The symmetry between patent and other federal law cases was upset, however, in 1916. In *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916), this Court, speaking through Mr. Justice Holmes, stated that "[a] suit arises under the law that creates the cause of action" and applied this test in holding that a suit for damages to plaintiff's business caused by charges of infringement made by a defendant did not arise out of any provision of the patent laws.

Five years later, this Court decided *Smith*, holding (in a non-patent case) that federal jurisdiction is present (255 U.S. at 199):

[W]here it appears from the bill or statement of the plaintiff that the right to relief depends upon the construction or application of the Constitution or laws of the United States, and that such federal claim is not merely colorable, and rests upon a reasonable foundation"

and pointedly distinguished Mr. Justice Holmes' dissenting position (255 U.S. at 214), "[T]hat a suit cannot be said to arise under any other law than that which creates the cause of action."

From that date forward there has been conflict and confusion as to what is the applicable test of jurisdiction in cases involving the patent laws. Is it the test of *Smith and Gully*, clearly controlling in other federal question litigation (28 U.S.C. § 1331 (a)); or does *American Well Works* establish some special test applicable only to patent, copyright and trademark cases under 28 U.S.C. § 1338(a)?

² This is also true of the test applied in *Albright v. Teas*, 106 U.S. 613 (1882).

In *Association of Westinghouse Salaried Employees v. Westinghouse Electric Corp.*, 348 U.S. 437, at 450, Mr. Justice Frankfurter, speaking for a plurality of the Court, pointed to the plain conflict between *American Well Works* and *Smith*:

Almost without exception, decisions under the general statutory grants of jurisdiction strikingly similar to the constitutional wording, have tested jurisdiction in terms of the presence, as an integral part of plaintiff's cause of action, of an issue calling for interpretation or application of federal law [citing *Gully*]. Although it has sometimes been suggested that the "cause of action" must derive from federal law [citing *American Well Works*], it has been found sufficient that some aspect of federal law is essential to plaintiff's success [citing *Smith*].

In *Association of Westinghouse Employees*, however, no question of subject matter jurisdiction under 28 U.S.C. § 1338(a) was presented; and no decision of this Court has settled what test is applicable when the complaint, though alleged to arise under state law, necessarily involves the construction or application of the patent laws of the United States.³

³ *Luckett v. Delpark, Inc.*, 270 U.S. 496, 510, decided in 1926, subsequent to both *Smith* and *American Well Works*, merely reaffirmed this Court's earlier decision in *Wilson v. Sandford*, *supra*, holding that a complaint seeking forfeiture of a patent license agreement on grounds governed solely by state law, was not one arising under the patent laws. 270 U.S. at 500-502. In *Luckett* the Court did say in passing that "any remedy in respect of a contract permitting use of the patent is not a suit under the patent laws of the United States." 270 U.S. at 502. But, quoting from *Wilson v. Sandford*, the Court held that the "remedy in respect of a contract" sought in *Luckett* was also one that "depended altogether on rules and principles of equity." 270 U.S. at 503-504. *Luckett* added to *Wilson* only by giving the patentee a "choice" of "alleg[ing] a forfeiture by his own declaration without seeking aid of the court," in which event "jurisdiction under the patent laws would . . . attach." 270 U.S. at 511. Neither *Smith* nor *American Well Works* was cited or discussed.

In these circumstances, the Circuit Courts are understandably in conflict as to the applicable test of jurisdiction under 28 U.S.C. § 1338(a). The Seventh Circuit has held that the test in *American Well Works* is controlling. *Arvin Industries, Inc. v. Berns Air King Corp.*, 510 F.2d 1070, 1072 (7th Cir. 1975); *Milprint, Inc. v. Curwood, Inc.*, 562 F.2d 418, 420 (7th Cir. 1977).⁴ In *Arvin Industries*, the court said (510 F.2d at 1072):

The beginning point for our analysis is the principle stated by Mr. Justice Holmes in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260, 36 S.Ct. 585, 586, 60 L.Ed. 987 (1916): "A suit arises under the law that creates the cause of action."

The Second and the District of Columbia Circuits, however, apply the test of *Smith* and *Gully*. *T. B. Harms Co. v. Eliscu*, 339 F.2d 823, 827-8 (2nd Cir. 1964), *cert. denied*, 381 U.S. 915; *Hanes Corp. v. Millard*, 531 F.2d 585, 594-5 (D.C. Cir. 1976).

In *T. B. Harms* the court said (339 F.2d at 827):

It has come to be realized that Mr. Justice Holmes' formula is more useful for inclusion than for the exclusion for which it was intended. Even though the claim is created by state law, a case may 'arise under' a law of the United States if the complaint discloses a need for determining the meaning or the claim is created by state law, a case may "arise under" a law of the United States if the complaint application of such a law. The path-breaking opinion to this effect was *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180, 41 S.Ct. 243, 65 L.Ed. 577 (1921), pointedly rendered over a dissent by Mr. Justice Holmes, 255 U.S. at 213-215, 41 S.Ct. 243.

⁴ The Seventh Circuit has followed *Smith* and *Gully* in non-patent cases. See *Goldman v. First Federal Sav. & Loan Ass'n of Wilmette*, 518 F.2d 1247 (7th Cir. 1975).

Not surprisingly, the court below expressly chose to follow the Seventh Circuit, and rested its decision on the test of jurisdiction announced in *American Well Works*. It did so expressly in upholding state court jurisdiction of the claims alleged in paragraph 33 of the complaint founded on the Reissue Patent. As to this the court below said (Appendix 10a):

Pittway also maintains that paragraph 33 charges it with liability for infringement of the Reissue Patent by third parties. In *Milprint, Inc. v. Curwood, Inc.*, (7th Cir. 1977), 562 F.2d 418, the court adhered to the principle of *American Well Works*, holding that an election by the licensor to stand on the license agreement and to sue for contracts remedies is an action arising under state law. The allegations of paragraph 33 only raise patent related matter which is insufficient to bring the case within the 'arising under' language of the federal patent statute. *American Well Works v. Layne Bowler Co.* (1916), 241 U.S. 257.

The court below did not even cite or discuss the *Gully* and *Smith* opinions or the test of jurisdiction set forth in those opinions, and could not have rested its decision on that test. The claim alleged in the aforementioned paragraph 33 is based directly upon 35 U.S.C. § 252 (see *supra*, pp. 5-6).⁵ In order to determine the merits of this claim, however, the state court must necessarily determine the meaning and application of this section as well

⁵ 35 U.S.C. § 252 provides in pertinent part:

No reissued patent shall abridge or affect the right of any person . . . who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, . . . The court before which such matter is in question may provide for the continued manufacture . . . to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

as other provisions of the patent laws. To recover damages under the allegations of paragraph 33 plaintiff would have to prove, among other things, as to each alleged third-party infringer:

1. That devices manufactured by the third party infringed valid claims of the Reissue Patent (35 U.S.C. § 271, "Infringement of Patent" and § 281 "Remedy for Infringement of Patent".);

2. The extent, if any, to which the third party infringer could avoid liability under 35 U.S.C. § 252, and the damage, if any, to plaintiffs caused by such avoidance; and

3. The terms, if any, upon which a federal court following 35 U.S.C. § 252 would permit the third party to continue activities infringing the Reissue Patent, and the damage to plaintiff, if any, resulting therefrom.

The court below did not in terms apply the test in *American Well Works* to plaintiffs' claims based on Pittway's alleged failure to prosecute and obtain the allowance of "claim 13". But that test was necessary to the court below's decision sustaining the state court's jurisdiction of those claims as well. The court concluded that Section 6.4 did not require that "claim 13" be patentable (Appendix 9a), and that the complaint did not allege that that claim was patentable. Nonetheless, as the court below also concluded, the complaint did allege that Pittway had "agreed to secure full and adequate protection for the device covered by the Original Patent Application" (Appendix 8a), and thus, as shown above, necessarily required the construction and application of 35 U.S.C. §§ 102, 103 and 112. See *supra*, p. 6.

As to at least one count, moreover, and on grounds applicable in principle to all, the court below held that "because plaintiffs are precluded from suing under the patent laws for infringement of an invention that was

never patented, their remedy against Pittway must lie in the state court." (Appendix 10a).

This conclusion, while precisely that required by *American Well Works*, is not permissible if the correct test of jurisdiction under 35 U.S.C. § 1338(a) is that applied in *Smith and Gully*, and is in the teeth of the policy announced by this Court in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 492, (1974). There this Court stated:

Although state courts in some circumstances must join federal courts in judging whether an issued patent is valid, *Lear, Inc. v. Adkins, supra*, it would be undesirable to impose the almost impossible burden on state courts to determine the patentability—in fact and in the mind of a reasonable inventor—of a discovery which has not been patented and remains entirely uncircumscribed by expert analysis in the administrative process. (Emphasis added).

Whether the court below erred need not be considered here. What is important is that the controlling principle has not been considered by this court since 1926 and that there is now such manifest uncertainty as to the correct principle that this Court should decide the question now.

CONCLUSION

For these reasons, a writ of certiorari should issue to review the judgment and opinion of the Illinois Appellate Court, First Division.

Respectfully submitted,

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Dated: February 26, 1979

APPENDICES

1a

APPENDIX A

Opinion of the Appellate Court of Illinois, First District

Third Division

Filed 9-6-78

No. 77-313

HAROLD BURKE, *et al.*,
Plaintiffs-Appellants,
v.

PITTHWAY CORPORATION,
Defendant-Appellee.

APPEAL FROM THE CIRCUIT COURT
OF COOK COUNTY

Honorable Daniel P. Coman, Presiding

MR. JUSTICE MCNAMARA delivered the opinion as modified on denial of petition for rehearing:

Plaintiffs brought this action in the circuit court of Cook County seeking to recover damages resulting from defendant Pittway's failure to perform an agreement entered into by the parties. The trial court granted Pittway's motion to dismiss the complaint on the ground that the case arose under federal patent law and, therefore, was within the exclusive jurisdiction of the federal court. Plaintiff appeals contending that the action is within the subject matter jurisdiction of the state court.

BRK Electronics Incorporated was an Illinois corporation engaged in the development, manufacture, and sale of smoke and fire detectors. Among the assets of BRK

were various patents and pending patent applications. Plaintiffs were the owners of all issued and outstanding shares of stock, options, rights and warrants to acquire BRK shares.

On February 28, 1970, plaintiffs and Pittway entered into a contract entitled "Agreement For The Purchase And Sale Of The Stock And Notes Of BRK. . . ." Pursuant to this agreement Pittway acquired all of the BRK outstanding notes, shares of stock, and stock rights. Pittway agreed to pay the holders of BRK notes the face amount of the notes plus accrued interest. Section 1.3 of the agreement provided that Pittway pay for BRK shares, rights, options and warrants, by paying a specific amount for each device covered by patents or pending patent applications owned by BRK at the time of acquisition. The agreed rate was \$10.00 for each smoke and fire detector sold by Pittway. The rate of payment subsequently was decreased to \$5.00 per device and then to \$3.50 per device by subsequent agreement. The maximum contingent purchase price remained \$3,500,000.00 less BRK's liabilities as of February 28, 1970.

The contract required Pittway to report to plaintiffs on a quarterly basis its sales of smoke and fire detectors. Pittway was to pay such portions of the contingent purchase price as had accrued in the preceding calendar quarter. The reports and payments were to continue until the contingent purchase price had been paid or until the patents and applications were transferred to plaintiffs because of payment defaults.

Among the assets which Pittway acquired from BRK was U.S. Patent Application No. 709,415 (hereinafter the Original Patent Application.) That application covered a smoke detector device utilizing two batteries. One of the batteries functioned as a monitor and sounded an alarm when the operative battery ran low. A circuit

subsequently was devised which made it possible to eliminate the second battery. In its remarks pertaining to the request to include Claim 13 in the Original Patent Application, Pittway stated: "(C)laim 13 clearly and patentably sets forth the distinctions of the present invention's supervisory circuit over the cited references and affords applicants appropriate supplemental protection for their contribution to the art." The amendment was refused and no further action was taken concerning the Original Patent Application and its amendments. On July 20, 1971, the Original Patent Application matured into United States Letters Patent No. 3,594,751 (hereinafter the Original Patent.)

The aggregate payments on account of the contingent purchase price did not amount to \$500,000.00 for the three year period following May 15, 1970. Pursuant to section 6.2 of the BRK contract plaintiffs requested Pittway to assign and transfer all patents and patent applications to the BRK Shareholders' Committee. On June 18, 1973, the transfer was effected through an assignment to the committee to hold all title to the patents for the benefit of plaintiffs. On July 13, 1973, the committee filed an application for reissue of the Original Patent which was allowed on July 20, 1976. According to plaintiffs, the Reissue Patent includes substantially all of the battery powered fire detectors currently manufactured, sold or used in the United States which utilize a supervisory circuit for monitoring the voltage output of the fire detector battery and signalling battery weakness on failure. Claim 13, however, was not includable in the Reissue Patent.

Plaintiffs filed a six count complaint alleging that Pittway breached the BRK agreement and was liable for actual damages, exemplary damages, and reasonable attorney's fees and costs. Plaintiffs requested that the court order Pittway to pay plaintiffs for its future use of

plaintiffs' technology and inventions at the rates previously agreed to by the parties.

The issue is whether the cause of action pleaded in the complaint lies within the exclusive subject matter jurisdiction of the federal courts under 28 U.S.C. par. 1338 (a) (1970). That statute provides:

"The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."

A case arises under the patent laws "when the plaintiff in his opening pleading . . . sets up a right under the patent laws as ground for a recovery." (*Pratt v. Paris Gas Light & Coke Co.* (1897), 168 U.S. 255, 259.) The general rule is that a suit by a patentee for royalties under an assignment by him or for any remedy sought pursuant to a contract permitting use of a patent is not a suit under the patent laws of the United States. (*Lockett v. Delpark, Inc.* (1926), 270 U.S. 496; *Wilson v. Sandford* (1850), 51 U.S. 99.) In *American Well Works Co. v. Layne & Bowler Co.* (1916), 241 U.S. 257, the Court, at p. 260, set down the rule governing cases when State jurisdiction is challenged on the basis of 28 U.S.C. 1338: "A suit arises under the law that creates the cause of action." In *T. B. Harms Co. v. Eliscu* (2nd Cir. 1964), 339 F.2d 823, the court discussed the meaning of the "arising under" language of the federal statute and adhered to the principle enunciated in *American Well Works*:

"[T]he federal grant of a patent or copyright has not been thought to infuse with any national interest a dispute as to ownership or contractual enforcement turning on the facts or on ordinary prin-

ciples of contract law. Indeed, the case for an unexpansive reading of the provision conferring exclusive jurisdiction with respect to patents and copyrights has been especially strong since expansion would entail depriving state courts of any jurisdiction over matters having so little federal significance." p. 826.

In their complaint plaintiffs allege that upon execution of the BRK agreement, Pittway undertook certain obligations with respect to the pending patent applications. Count I charged Pittway with breach of section 6.4 of the BRK agreement which provides:

"Until the contingent purchase price shall have been paid in full, or the patents and patent applications listed on Exhibit E shall have been transferred for the benefit of the Shareholders and Rights Holders as provided in section 6.2, Purchaser shall maintain in full force and effect the patents and patents issuing on the applications listed on Exhibit E, and shall make reasonable businesslike efforts to prosecute all of the pending patent applications listed on Exhibit E, and to defend any attack made on the validity or scope of said patents and patent applications; provided, however, that the Purchaser may elect to discontinue such efforts if it shall determine in good faith that further action is unduly burdensome and shall give to the Shareholders and Rights Holders such timely notice of such determination as will permit them, at their expense, to continue or arrange for the continuation of such efforts."

Plaintiffs charge that Pittway failed to make reasonable businesslike efforts to secure and protect the patent applications filed by BRK and pending at the time of acquisition. Plaintiffs allege that reasonable businesslike efforts to prosecute the Original Patent Application would have included further prosecution of Claim 13 by either

filing a continuation application or endeavoring to obtain allowance of Claim 13 after initial denial by the patent office. In Count II, plaintiffs allege that Pittway breached its duty under the agreement when it failed to provide plaintiffs with timely notice of Pittway's decision to discontinue efforts to prosecute the Original Patent Application and Claim 13.

Both counts are based upon Pittway's alleged breach of duties specifically set out in the agreement between the parties. The agreement provided that plaintiffs would receive certain sums for devices manufactured under patents and patent applications transferred to Pittway. The sums were to be paid to plaintiffs until or unless the patent application covering such device was held invalid by a competent tribunal, including the patent office. The complaint does not allege the validity of the Original Patent Application and Claim 13, but rather charges Pittway with improper conduct in regard to duties assumed concerning that application and claim.

Pittway contends that the complaint alleges the patentability of Claim 13 in each count. It points specifically to paragraph 24 of Count I which paragraph is incorporated by reference into the five subsequent counts. Paragraph 24 recites as follows:

"As set forth at pages 8 and 9 of an Amendment filed by Defendant in the Original Patent Application on or about October 28, 1970, claim 13 clearly and patentably set forth the distinctions of the inventive supervisory circuit disclosed in the Original Patent Application over the cited references and would have afforded applicants (and thus plaintiffs) appropriate and necessary protection for their contribution to the art."

Pittway points to the words "clearly and patentably" in paragraph 24 and argues that such requires plaintiffs to prove the patentability of Claim 13 in order to recover

their alleged damages. Pittway thereby ignores the introductory wording of that paragraph which states, "As set forth at pages 8 and 9 of an Amendment filed by Defendant in the Original Patent Application or or about October 28, 1970 . . ." It is apparent that paragraph 24 merely states precisely what Pittway stated in its remarks accompanying the amendments filed to include Claim 13 in the Original Patent Application. Plaintiffs have charged Pittway with breach of its contractual duty to fully prosecute all patent applications. In paragraph 24 plaintiffs allege that at one time Pittway believed Claim 13 to be patentable. Such evidence, if proved, would support plaintiffs' claim that Pittway's later abandonment of Claim 13 was a breach of its duty to make reasonable businesslike efforts to prosecute the patent applications transferred under the agreement. Paragraph 24, therefore, does not necessitate proof of the patentability of Claim 13.

Pittway also urges that paragraph 35 of Count I, also incorporated into Count II, requires proof of the patentability of Claim 13. Again, Pittway has ignored those words which fail to support its position. Paragraph 35 alleges some types of activities which would have constituted reasonable businesslike efforts on the part of Pittway. Plaintiffs allege that in failing to exert such efforts Pittway breached its contractual duty to fully prosecute the Original Patent Application. The requirement that Pittway properly prosecute patent applications is not based upon the patentability of the inventions covered by the applications.

Pittway maintains that plaintiffs were neither entitled to Claim 13 nor precluded from obtaining it by Pittway's failure to notify them of its withdrawal of that claim unless Claim 13 was patentable. This argument fails to take into account the duty assumed by Pittway and alleged in Count II, to notify plaintiffs of the cessation of prosecution of patent applications. Section 6.4 of the

agreement is devoid of any requirement that notice be given only if the device covered is patentable. Plaintiffs have properly alleged that Pittway was under a duty to notify them of the discontinuation of prosecuting Claim 13. We believe that to be a cause of action not arising under the patent laws.

Count III alleges that Pittway breached the BRK agreement when it failed to pay plaintiffs all the money due and owing them pursuant to the agreement and addenda thereto. Plaintiffs charge that in computing the amounts owed them, Pittway failed to include sums due for devices manufactured under the Original Patent Application and Claim 13. This count involves an interpretation of the payments obligation under the agreement and a factual determination as to whether Pittway reported and paid in accordance with the contract. Since the payments under the contract amount to royalty payments, a cause of action is stated under state law. *Luckett v. Delpark, Inc.* (1926), 270 U.S. 496.

Pittway asserts that because Claim 13 was never entered by the patent office, no royalties can be owed under the agreement in regard to devices which would be covered by that claim. This argument is premised upon Pittway's belief that the patentability of Claim 13 must be shown before plaintiffs can prove any damages. Section 6.4 of the agreement merely requires reasonable businesslike efforts to prosecute patent applications and is devoid of patentability requirements. Section 1.3(b) of the agreement requires payment for each device manufactured under a pending patent application. Therefore, under the terms of the agreement, patentability is not a prerequisite to payment of the contingent purchase price.

In Count IV, plaintiffs allege that Pittway assumed the position of a fiduciary when it agreed to secure full and adequate protection for the device covered by the Original Patent Application. Plaintiffs charge that Pitt-

way's breach of its fiduciary duty was wilful and wanton, thus warranting actual and exemplary damages. The count constitutes an allegation of breach of contractual duties assumed by Pittway; it charges Pittway with using its power improperly to decrease or eliminate its financial liabilities to plaintiffs. It states a cause of action under state law.

Pittway asserts that its obligation to prosecute the Original Patent Application was limited to the prosecution of those claims which are allowable. That Claim 13, or other claims related to the Original Patent Application, would not be allowed is a defense raised by Pittway and not a prerequisite to proof of the cause of action alleged by plaintiffs. (See *Lear, Inc. v. Adkins* (1969), 395 U.S. 653.) Pittway assumed the duty of exerting reasonable businesslike efforts to prosecute the patent pending applications. Under the contract, the determination of patentability was vested in a competent tribunal, including the patent office. It was not a requirement to be satisfied prior to Pittway's fulfillment of its duties concerning prosecution of applications and notification of the discontinuance of such prosecution.

Count V alleges that Pittway wilfully refrained from prosecuting Claim 13 and other claims broader in scope than those contained in the Original Patent Application. Plaintiffs charge that Pittway took advantage of technology owned by BRK and converted into its own property those rights it was under a duty to protect. Plaintiffs allege that Pittway sought patent coverage in applications filed on its own behalf. The damages sought are those which accrued by reason of Pittway's alleged failure to seek protection for devices manufactured through BRK technological developments and which were the result of the misappropriation of valuable property rights. Plaintiffs allege that Pittway's conduct in relation to such devices constituted a breach of its duties under the BRK agreement. We agree with the district court which

ruled that because plaintiffs are precluded from suing under the patent laws for infringement of an invention that was never patented, their remedy against Pittway must lie in state court. (*Pittway Corp. v. BRK Shareholders Committee* (N.D. Ill. 1978), 444 F. Supp. 1210.) The district court held that under those circumstances, Pittway could not sue under the patent laws for a declaratory judgment that it had not infringed those claims never embodied in the Original or Reissue Patents.

In Count VI plaintiffs allege that Pittway failed to pay them their fair share of the commercial success of devices sold subsequent to February 28, 1970. Plaintiffs claim that Pittway wilfully appropriated the technology developed by BRK for its own purposes without paying plaintiffs the sums as agreed. This count simply states a cause of action in unjust enrichment. Plaintiffs have not charged a violation of federal law. They seek only to obtain the monies allegedly due them by reason of their grant of the use of BRK technology to manufacture smoke detection devices.

Pittway also maintains that paragraph 33 charges it with liability for infringement of the Reissue Patent by third parties. In *Milprint, Inc. v. Curwood, Inc.* (7th Cir. 1977), 562 F.2d 418, the court adhered to the principle of *American Well Works*, holding that an election by the licensor to stand on the license agreement and to sue for contract remedies is an action arising under state law. The allegations of paragraph 33 only raise patent related matter which is insufficient to bring the case within the "arising under" language of the federal patent statute. *American Well Works Co. v. Layne Bowler Co.* (1916), 241 U.S. 257.

Pittway relies upon the cases of *Forster v. Brown Hoisting Co.* (1915), 266 Ill. 287, 107 N.E. 588 and *Chapman Performance Products, Inc. v. Producers Sales, Inc.* (1974), 16 Ill. App.3d 459, 306 N.E.2d 615, to sup-

port its contention that Illinois courts do not have jurisdiction of this case. In *Forster*, plaintiff alleged that defendant had violated an agreement which provided that if defendant obtained letters patent on certain inventions he would assign them to plaintiff. The dispute centered around which party had been the author of an invention for which defendant had obtained a patent without assigning it to plaintiff. The Supreme Court upheld the trial court's dismissal of the suit because a determination of the conflicting claims necessarily required a determination of the patent's validity. The court pointed out, however, at p. 296:

"Suits to recover royalties for the use of patents, suits for the specific performance of contracts for their use and suits on contracts governing the rights of the parties in the use of a patented invention have been held not to be suits under the patent laws, and in such actions State courts have jurisdiction."

As we have discussed, the present case does not involve a determination as to the validity of the Original Patent Application, Claim 13, or other related claims. Therefore, the assertion of state court jurisdiction here is not contrary to the holding of *Forster*.

In *Chapman* the complaint alleged that defendants had breached an assignment by manufacturing and marketing a product covered by the patent previously assigned to plaintiffs. Plaintiffs' claim of unfair competition included a request to enjoin defendants from further using and violating rights granted to the plaintiff corporation by the patent at issue. This court held that the main purpose of the action was to establish a patent and to enjoin its infringement. For that reason, it held that the action arose under 28 U.S.C. § 1338 and, therefore, was filed improperly in state court. The present case is distinguishable because here plaintiffs seek damages pursuant to an agreement to pay royalties for patents and

patent pending applications. The validity of the patents need not be determined to enable plaintiffs to recover monies due. The entire cause of action is based upon Pittway's alleged failure to comply with certain provisions of the contract regarding prosecution of patent applications, notice, and payment of royalties. Such a suit is properly within the jurisdiction of the state courts.

For the reasons stated, the judgment of the circuit court of Cook County dismissing the complaint is reversed, and the cause is remanded for further proceedings consistent with the holdings of this opinion.

Judgment reversed and remanded.

JIGANTI, P.J., and MCGILLICUDDY, J., concur.

APPENDIX B

Complaint and Portions of Attachment

IN THE
CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT
LAW DIVISION

Civil Action No. 76 L 13079

HAROLD J. BURKE, *et al.*,
v. *Plaintiffs,*

PITTWAY CORPORATION,
Defendant.

COMPLAINT

Plaintiffs, for their Complaint, allege:

COUNT I

1. Plaintiffs are residents of Cook County, Illinois, and Lake County, Illinois, and elsewhere and are all former shareholders and/or rights holders of BRK Electronics, Inc., formerly an Illinois corporation having offices at 525 Rathbone Avenue, Aurora, Illinois 60538 (hereinafter referred to as BRK).

2. Defendant, Pittway Corporation, is a corporation of the State of Pennsylvania, is authorized to transact business in this State and has a regular and established office and place of business in Cook County, Illinois.

3. Prior to February 28, 1970, BRK was a corporation owned by Plaintiffs and engaged in the business of designing, developing, manufacturing and selling devices for detecting the products of combustion, including battery powered smoke and fire detectors that emitted an audible alarm upon the detection of smoke and/or fire and/or products of combustion.

4. On February 28, 1970, Plaintiffs agreed to and entered into an AGREEMENT FOR THE PURCHASE AND SALE OF THE STOCK, STOCK RIGHTS AND NOTES OF BRK ELECTRONICS INCORPORATED (hereinafter referred to as the BRK Agreement) with Defendant in which BRK and all of its assets, including all issued patents and pending patent applications listed on Exhibit E to the BRK Agreement were transferred to Defendant. A true and accurate copy of the BRK Agreement and the Exhibits referred to therein is attached hereto as Attachment I.

5. By execution of the BRK Agreement, Plaintiffs appointed Harold J. Burke, Howard Roberts, Herb Hartmann, Wayne Kimberlin and Dr. Owen G. McDonald as a committee (hereinafter referred to as the BRK Shareholders' Committee) to be the agent of Plaintiffs and to act on their behalf in taking any and all actions that the BRK Shareholders' Committee, acting by a majority, deemed necessary under or relating to the BRK Agreement.

6. Plaintiffs have duly performed all of the duties, obligations, terms and conditions of the BRK Agreement on their part to be performed.

7. Under the BRK Agreement, Defendant agreed to pay as consideration to Plaintiffs a contingent purchase price as specifically set forth in Section 1.3 of the BRK Agreement.

8. The contingent purchase price was to be computed at the rate of ten dollars (\$10.00) for each detection device in any manner sold (less returns) or leased after February 28, 1970, which is covered by or manufactured under a patent, pending patent application or patent issued on an application owned by BRK as of May 15, 1970.

9. The BRK Agreement provided in Section 1.3(b) that if a claim or claims of any patent or patent applica-

tion listed on Exhibit E to the BRK Agreement were held invalid or were construed by a competent tribunal then, such holding or construction from the date thereof would govern; but that nothing would relieve Defendant from making payments of contingent purchase price with respect to detection devices made, sold or used in any country in which there was a patent or pending application prior to, or in connection with which there had been no, such holding or construction. Upon information and belief, there has been no such holding or construction.

10. The BRK Agreement provided in Section 1.3(c) that at the end of each calendar quarter until the contingent purchase price had been paid in full or until the obligations of Defendant with respect to the payment thereof were terminated pursuant to Section 6.2 of the BRK Agreement, Defendant was obligated, within thirty days, to report in writing to Plaintiffs the number of detection devices sold or leased during said quarter and was obligated with said report to pay the amount of the contingent purchase price then payable to Plaintiffs.

11. Defendant further agreed in Section 6.2 of the BRK Agreement that if upon the expiration of three years from May 15, 1970, the aggregate payments on account of the contingent purchase price did not at least equal five hundred thousand (\$500,000), Defendant would transfer to Plaintiffs all patents and patent applications listed on Exhibit E to the BRK Agreement.

12. Defendant further agreed in Section 6.4 of the BRK Agreement that until the contingent purchase price was paid in full, or the patents and patent applications listed on Exhibit E to the BRK Agreement were transferred to Plaintiffs, Defendant would maintain in full force and effect the patents and patents issuing on the applications listed on Exhibit E to the BRK Agreement, and would make reasonable businesslike efforts to prosecute all of the pending patent applications listed on Ex-

hibit E to the BRK Agreement, and to defend any attack made on the validity or scope of said patents or patent applications; provided, however, that Defendant might elect to discontinue such efforts if Defendant determined in good faith that further action would be unduly burdensome and would give to Plaintiffs such timely notice of such determination as would permit Plaintiffs at their expense, to continue or arrange for the continuation of such efforts.

13. On May 22, 1970, Defendant and BRK Shareholders' Committee agreed to and entered into an ADDENDUM TO AGREEMENT FOR THE PURCHASE AND SALE OF THE STOCK, STOCK RIGHTS AND NOTES OF BRK ELECTRONICS INCORPORATED (hereinafter referred to as the First Addendum). A copy of the First Addendum is attached hereto as Attachment II. On March 1, 1971, Defendant and the BRK Shareholders' Committee agreed and entered into a SECOND ADDENDUM TO AGREEMENT FOR THE PURCHASE AND SALE OF THE STOCK, STOCK RIGHTS AND NOTES OF BRK ELECTRONICS INCORPORATED (hereinafter referred to as the Second Addendum). A copy of the Second Addendum is attached hereto as Attachment III.

14. One of the pending United States patent applications listed on Exhibit E to the BRK Agreement was United States Patent Application Serial No. 709,415 (hereinafter referred to as the Original Patent Application), filed on February 29, 1968. A copy of the file history of the Original Patent Application is attached hereto as Attachment IV.

15. The Original Patent Application as filed included some claims directed to a detector or warning device including two batteries and other claims directed more broadly to a detector or warning device not limited to a circuit arrangement employing two batteries. Upon trans-

fer of the rights of BRK to Defendant under the terms of the BRK Agreement, Defendant assumed control of prosecution of the Original Patent Application and, without informing or consulting with or obtaining the approval of Plaintiffs, retained as its patent attorney the same attorney who had previously represented BRK in the filing and prosecution of the Original Patent Application.

16. The Original Patent Application issued as United States Letters Patent No. 3,594,751 on July 20, 1971 (hereinafter referred to as the Original Patent). A copy of the Original Patent is attached hereto as Attachment V.

17. The invention disclosed in the Original Patent Application is directed to a battery powered detector having a battery power source for energizing an alarm upon the detection of products of combustion and a supervisory circuit for monitoring the output voltage of the battery power source.

18. The invention disclosed in the Original Patent Application is a basic invention in battery powered fire detection apparatus and such invention is currently incorporated in many products sold by Defendant and/or by subsidiaries of Defendant and in many products sold by many other manufacturers.

19. On or about February 28, 1970, Defendant knew of the broad applicability of the invention disclosed in the Original Patent Application and of the likelihood that the invention disclosed therein would be commercially successful.

20. It was the intent of Plaintiffs and Defendant as expressed in the BRK Agreement that Plaintiffs would share in the commercial success of the development both of the invention disclosed in the Original Patent Applica-

tion and of the technology transferred to Defendant upon Defendant's acquisition of BRK.

21. It was the intent of Plaintiffs and Defendant as expressed in the BRK Agreement that the invention disclosed in the Original Patent Application would be broadly covered by claims that would issue in a United States patent based upon the Original Patent Application and that every detection device sold by Defendant falling within the scope of such claims, whether the detection device contained a single battery or a plurality of batteries, would be included in the computation of the contingent purchase price as set forth in Section 1.3 of the BRK Agreement to thereby enable Plaintiffs to share in the commercial success both of the invention disclosed in the Original Patent Application and of the technology transferred to Defendant upon Defendant's acquisition of BRK.

22. Pursuant to its obligation to make reasonable businesslike efforts to prosecute the Original Patent Application, Defendant presented claim 13 in said Original Patent Application on or about October 28, 1970.

23. Claim 13 would have provided broad patent coverage for a warning device having the elements recited in claim 13 including a supervisory circuit for monitoring the output voltage of a battery in the warning device, irrespective of whether the warning device included a single battery or a plurality of batteries.

24. As set forth at pages 8 and 9 of an Amendment filed by Defendant in the Original Patent Application on or about October 28, 1970, claim 13 clearly and patentably set forth the distinctions of the inventive supervisory circuit disclosed in the Original Patent Application over the cited references and would have afforded applicants (and thus Plaintiffs) appropriate and necessary protection for their contribution to the art.

25. Original claim 13 was voluntarily withdrawn by Defendant from further prosecution by the substitution of an Amendment in the Original Patent Application on or about November 5, 1970, in which claim 13 was not included.

26. Since the aggregate payments on account of the contingent purchase price did not at least equal five hundred thousand dollars (\$500,000) within three years from May 15, 1970, Plaintiffs pursuant to Section 6.2 of the BRK Agreement requested Defendant to assign and transfer to the BRK Shareholders' Committee all of the patents and patent applications listed on Exhibit E to the BRK Agreement.

27. On or about June 18, 1973, such a transfer occurred by means of an Assignment from BRK Electronics, Inc., at that time an Illinois corporation, to the BRK Shareholders' Committee. A copy of the Assignment is attached hereto as Attachment VI.

28. By means of the Assignment, the Original Patent and the entire right, title and interest in and to the Original Patent was assigned to the BRK Shareholders' Committee for the benefit of Plaintiffs.

29. On July 13, 1973, the inventors of the Original Patent and the BRK Shareholders' Committee filed an application for reissue of the Original Patent and the reissue application was assigned United States Patent Application Serial No. 378,997 (hereinafter referred to as the Reissue Patent Application). A copy of the Reissue Patent Application as filed in the United States Patent and Trademark Office on July 13, 1973, is attached hereto as Attachment VII.

30. The Reissue Patent Application has been allowed by the United States Patent and Trademark Office and is scheduled to be printed as United States Letters Patent No. RE 28,915 (hereinafter referred to as the Reissue

Patent) on July 20, 1976. A copy of the Reissue Patent is not presently available but will be submitted to the Court and to Defendant as soon as it becomes available to Plaintiffs; however, a copy of the claims allowed in the Reissue Patent Application and scheduled to be printed as the patent claims of the Reissue Patent is attached hereto as Attachment VIII.

31. The United States Patent and Trademark Office has now allowed claims in the Reissue Patent Application directed to a battery powered fire detector having one or more batteries and a supervisory circuit for monitoring the output voltage of a battery. These claims more adequately define the scope of the invention disclosed in the Original Patent Application as compared to the claims obtained by Defendant as printed in the Original Patent. However, by Defendant's voluntary withdrawal of claim 13 from the Original Patent Application, Plaintiffs were precluded from obtaining claim 13 and other claims of similar scope and somewhat broader or somewhat narrower than claim 13.

32. Upon information and belief, at least some of the claims allowed in the Reissue Patent Application include within their scope substantially all of the battery powered fire detectors now being manufactured and/or sold and/or used in the United States that include a supervisory circuit for monitoring the output voltage of a battery in the fire detector and for providing an alarm indication of battery weakness or failure.

33. There are many manufacturers presently manufacturing and selling battery powered fire detectors having a supervisory circuit for monitoring the output voltage of a battery in the fire detector. Such manufacturers may invoke the provisions of Section 252, Title 35, United States Code, to preclude Plaintiffs from obtaining royalties for fire detectors manufactured, used and/or sold prior to the issue date of the Reissue Patent. Further-

more, Plaintiffs have been effectively precluded by Defendant's acts and failures to act in prosecuting the Original Patent Application from pursuing their rights under the Reissue Patent and obtaining royalties from such manufacturers for the sale of such fire detectors manufactured after the issue date of the Reissue Patent in view of the enormous expense involved in bringing one or more patent infringement suits and the uncertain outcome of any such suit in light of possible intervening rights that may be asserted by a manufacturer in any such suit.

34. Upon information and belief, Defendant maliciously, willfully, wantonly, in bad faith and in total disregard of its duties and obligations under Section 6.4 of the BRK Agreement breached the BRK Agreement by failing to make reasonable businesslike efforts to prosecute the Original Patent Application including pursuing claim 13 and other claims of similar and/or different scope, by failing to defend the attack made by the United States Patent and Trademark Office upon the validity of the claims of the Original Patent Application, by failing to defend the attack made by the United States Patent and Trademark Office upon the scope of the Original Patent Application and by making a determination in bad faith to discontinue any such reasonable businesslike efforts which may have been made.

35. Reasonable businesslike efforts in prosecuting the Original Patent Application, in defending the attack made by the United States Patent and Trademark Office upon the validity of the Original Patent Application and in defending the attack made by the United States Patent and Trademark Office upon the scope of the Original Patent Application would have included at least the following activity: further prosecuting original claim 13 submitted in the Original Patent Application either by further efforts to obtain the allowance of claim 13 in

the Original Patent Application or by filing a continuation patent application of the Original Patent Application to thereby enable Defendant to obtain the allowance of claim 13 and other claims of proper and sufficiently broad scope, including claims like those now allowed in the Reissue Patent Application, thereby providing Plaintiffs with proper patent protection sufficiently broad to cover adequately the invention as disclosed in the Original Patent Application.

36. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's breach of the BRK Agreement as set forth above in this Count I of the Complaint is presently unknown by Plaintiffs, actual damages are believed to be in excess of twenty million dollars (\$20,000,000) and exemplary damages of at least twenty million dollars (\$20,000,000) are believed to be warranted.

COUNT II

1. Plaintiffs incorporate, by reference, in this Count II the allegations contained in Paragraphs 1 through 35, inclusive, of Count I of this Complaint.

2. Upon information and belief, Defendant maliciously, willfully, wantonly, in bad faith and in total disregard of its duties and obligations as set forth in the BRK Agreement breached the BRK Agreement by failing to provide Plaintiffs with timely notice of Defendant's decision and/or determination to discontinue reasonable businesslike efforts to prosecute the Original Patent Application with claims like claim 13 and other claims, to defend the attack made by the United States Patent and Trademark Office upon the validity of the Original Patent Application and to defend the attack made by the United States Patent and Trademark Office upon the scope of the Original Patent Application, so as to permit Plaintiffs, at their expense, to continue or arrange for the continuation of reasonable businesslike efforts to

prosecute the Original Patent Application and to pursue claim 13 and other claims of similar and/or different scope, to defend the attack made by the United States Patent and Trademark Office upon the validity of the Original Patent Application and to defend the attack made by the United States Patent and Trademark Office upon the scope of the Original Patent Application.

3. Defendant's failure to provide Plaintiffs with timely notice of its decision and/or determination not to pursue claim 13 and/or other claims of proper and sufficient scope, such as the claims now allowed by the United States Patent and Trademark Office in the Reissue Patent Application, precluded Plaintiffs from obtaining patent claims and patent protection in the Original Patent to which the invention disclosed in the Original Patent Application was entitled.

4. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's breach of the BRK Agreement as set forth above in this Count II of the Complaint is presently unknown by Plaintiffs, actual damages are believed to be in excess of twenty million dollars (\$20,000,000) and exemplary damages of at least twenty million dollars (\$20,000,000) are believed to be warranted.

COUNT III

1. Plaintiffs incorporate, by reference, in this Count III the allegations contained in Paragraphs 1 through 33, inclusive, of Count I of this Complaint.

2. Upon information and belief, Defendant maliciously, willfully, wantonly, in bad faith and in total disregard of its duties and obligations as set forth in the BRK Agreement, the First Addendum and the Second Addendum breached the BRK Agreement by failing to pay ten dollars (\$10.00) and/or five dollars (\$5.00) and/or three dollars and fifty cents (\$3.50) per unit in accordance with the provisions of the BRK Agreement, the

First Addendum and the Second Addendum thereto to Plaintiffs for all detection devices covered by claim 13 or any other originally submitted or amended claim of the Original Patent Application during the time period from February 28, 1970, through June 18, 1973, and, more specifically, by failing to include such detection devices in the computation of Defendant's payments of the contingent purchase price as set forth in Section 1.3 of the BRK Agreement, in the First Addendum and in the Second Addendum thereto.

3. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's breach of the BRK Agreement as set forth in this Count III of the Complaint is presently unknown by Plaintiffs, actual damages are believed to be equal to approximately three and one-half million dollars (\$3,500,000) and exemplary damages of at least five million dollars (\$5,000,000) are believed to be warranted.

COUNT IV

1. Plaintiffs incorporate, by reference, in this Count IV the allegations contained in Paragraphs 1 through 33, inclusive, of Count I of this Complaint.

2. Defendant in agreeing to and entering into the BRK Agreement with Plaintiffs assured Plaintiffs, as fully set forth in Section 6.4 of the BRK Agreement, that Defendant would use its best possible efforts to secure full and adequate patent protection for the invention disclosed in the Original Patent Application. Defendant thereby placed themselves in a position of trust and confidence with respect to Plaintiffs in regard to the prosecution of the Original Patent Application knowing all along that the return Plaintiffs would receive from Defendant under the BRK Agreement depended upon Defendant obtaining full and adequate patent protection for the invention disclosed in the Original Patent Application, that is, patent claim coverage sufficiently broad

to cover detection devices that utilize the invention disclosed in the Original Patent Application.

3. Defendant failed to use its best possible efforts to secure full and adequate patent protection for the invention disclosed in the Original Patent Application, for example, by obtaining the claims now allowed in the Re-issue Patent Application, and thereby breached Defendant's fiduciary duty owed to Plaintiffs by reason of the position of trust and confidence assumed by Defendant with respect to Plaintiffs.

4. Upon information and belief, Defendant's breach of its fiduciary duty was knowing, willful, wanton, malicious, and in bad faith.

5. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's breach of its fiduciary duty owed to Plaintiffs as set forth in this Count IV of this Complaint is presently unknown by Plaintiffs, actual damages are believed to be in excess of at least five million dollars (\$5,000,000) and exemplary damages of at least five million dollars (\$5,000,000) are believed to be warranted.

COUNT V

1. Plaintiffs incorporate, by reference, in this Count V the allegations contained in Paragraphs 1 through 33, inclusive, of Count I of this Complaint.

2. Upon information and belief, Defendant maliciously, willfully, wantonly, in bad faith and in total disregard of its duties and obligations as set forth in the BRK Agreement, refrained from obtaining claim 13 filed in the Original Patent Application and other claims broader than the claims actually patented in the Original Patent, such as the claims allowed by the United States Patent and Trademark Office in the Reissue Patent Application, and instead has attempted to obtain for itself, and in

disregard of its duty to Plaintiffs, broader claims in United States patent applications filed in the United States Patent and Trademark Office subsequent to February 28, 1970, in the name of Fred J. Conforti and/or others and assigned to BRK and/or Defendant and/or subsidiaries of Defendant.

3. By refraining from obtaining such broader claims in the Original Patent where they should have been obtained, Defendant has deprived Plaintiffs of valuable property rights, namely, claims which should have been sought and obtained in the Original Patent on technology which was owned by BRK, which property rights Defendant has attempted to convert and/or has converted into its own property.

4. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's attempted conversion and/or conversion as set forth in this Count V of this Complaint is presently unknown by Plaintiffs, actual damages are believed to be in excess of at least five million dollars (\$5,000,000) and exemplary damages of at least five million dollars (\$5,000,000) are believed to be warranted.

COUNT VI

1. Plaintiffs incorporate, by reference, in this Count VI the allegations contained in Paragraphs 1 through 33, inclusive, of Count I of this Complaint.

2. Upon information and belief, at the time of the execution of the BRK Agreement by which Defendant acquired BRK and all of its assets, BRK had developed and was continuing to develop innovative and important technology in the field of fire detection devices, battery powered fire detection devices and supervisory circuits for monitoring output voltages of batteries in battery powered fire detectors.

3. The technology and detection devices designed and developed and transferred to Defendant through the BRK Agreement had the potential of tremendous commercial success and, in fact, have now achieved tremendous commercial success.

4. It was the intent of Plaintiffs and Defendant that Plaintiffs would share in the commercial success of the devices and technology transferred to Defendant under the BRK Agreement.

5. As reflected in the BRK Agreement, Plaintiffs and Defendant intended that these devices and the technology would be covered by claims of proper and adequate scope in pending United States and foreign patent applications existing as of February 28, 1970, and that, if the devices and the technology proved to be commercially successful, Plaintiffs would receive their fair share of the financial success of any detection devices sold utilizing the innovative technology in the form of payments of the contingent purchase price as set forth in Section 1.3 of the BRK Agreement and in the First Addendum and the Second Addendum thereto.

6. Upon information and belief, Defendant maliciously, willfully, wantonly, in bad faith and in total disregard of its duties and obligations as set forth in the BRK Agreement has failed to pay Plaintiffs a fair share of the commercial success of the detection devices sold subsequent to February 28, 1970, by Defendant, its subsidiaries and divisions but has instead, unjustly enriched itself to the detriment of Plaintiffs by appropriating the technology developed by BRK and using such technology for its own purposes without making proper payment to Plaintiffs.

7. While the exact amount of damages suffered by Plaintiffs as a result of Defendant's unjust enrichment as set forth in this Count VI of this Complaint is pres-

ently unknown by Plaintiffs, actual damages are believed to be equal to approximately three and one-half million dollars (\$3,500,000) and exemplary damages of at least five million dollars (\$5,000,000) are believed to be warranted.

WHEREFORE, Plaintiffs pray:

1. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 36 of Count I of this Complaint as a result of Defendant's breach of contract as alleged in Count I of this Complaint.

2. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 4 of Count II of this Complaint as a result of Defendant's breach of contract as alleged in Count II of this Complaint.

3. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 3 of Count III of this Complaint as a result of Defendant's breach of contract as alleged in Count III of this Complaint.

4. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 5 of Count IV of this Complaint as a result of Defendant's breach of Defendant's fiduciary duties owed to Plaintiffs as set forth in Count IV of this Complaint.

5. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 4 of Count V of this Complaint as a result of Defendant's attempted conversion and/or conversion of Plaintiffs' property and/or property rights as set forth in Count V of this Complaint.

6. For an award of actual damages suffered by Plaintiffs and for an award of exemplary damages of the amounts set forth in Paragraph 7 of Count VI of this Complaint as a result of Defendant's unjust enrichment to the detriment of Plaintiffs as set forth in Count VI of this Complaint.

7. For a judgment ordering Defendant to pay Plaintiffs for Defendant's future use of Plaintiffs' technology and inventions at the rates previously agreed to by the parties.

8. For an award of reasonable attorneys' fees to Plaintiffs.

9. For the costs incurred in this civil action.

10. For such other and further relief as this Court may find just and equitable.

/s/ Robert L. Rohrback
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AGREEMENT FOR THE PURCHASE AND SALE OF
THE STOCK, STOCK RIGHTS AND NOTES OF
BRK ELECTRONICS INCORPORATED

THIS AGREEMENT is made as of the 28th day of February, 1970 by and between PITTHWAY CORPORATION, a Pennsylvania corporation, (being hereinafter sometimes referred to as "Pittway", and Pittway or the corporation, if any, to which this agreement may be assigned by Pittway in accordance with the terms hereof being hereinafter sometimes referred to as the "Purchaser"), HAROLD J. BURKE, HOWARD ROBERTS, HERB HARTMANN, WAYNE KIMBERLIN AND DR. OWEN McDONALD (the "Principals") and the additional persons listed on the signature pages hereof (the Principals and such additional persons being hereinafter sometimes referred to collectively as "Sellers").

* * *

Section 1.3—The contingent purchase price for the Shares and Rights will be determined and paid to the Shareholders, or to the Shareholders and Rights Holders, as set forth below:

* * *

(b) The actual contingent purchase price, up to the maximum computed under subparagraph (a), will be computed at the rate of \$10 for each detection device in any manner sold (less returns) or leased after the Take-over Date which is covered by or manufactured under a patent, pending patent application or patent issued on an application owned by BRK at the Time of Closing, provided, however, that no amount shall be computed with respect to any detection device manufactured and sold in any country wherein the patent or patent application applicable thereto issued by such country has been held invalid. For purposes of the foregoing, if a claim or claims of any patent or patent application listed on Exhibit E shall be held invalid or shall be construed

by a competent tribunal (including the patent office) of the country with respect to which such patent was issued or application is pending, and if no appeal is taken or no appeal or other proceeding for review can be taken from such decision, then, such holding or construction from the date thereof shall be binding upon the Sellers, but nothing herein contained shall relieve Purchaser from making payments of contingent purchase price with respect to detection devices made, sold or used in any country in which there is a patent or pending application prior to, or in connection with which there has been no, such holding or construction.

* * *

Section 6.2—Pittway agrees that if upon the expiration of three years from the Time of Closing the aggregate payments on account of the contingent purchase price are not at least equal to \$500,000 or if thereafter and prior to payment in full of the contingent purchase price, for any period of two consecutive years the contingent purchase price payable for both such years totals less than \$50,000, the Purchaser, upon request of a majority of the Principals, will cause to be transferred to a trust or other entity established to receive the same for the mutual benefit of the Shareholders and Rights Holders, all patents and patent applications listed on Exhibit E; provided, however, that the Purchaser shall have the right, at its option and in lieu of such transfer, to pay the amount of the deficiency as an advance payment of contingent purchase price to be applied against the amounts thereof next becoming due. In the event of such a transfer, the obligation of the Purchaser to make further payments on account of the contingent purchase price shall terminate, except to the extent attributable to sales by Purchaser of inventory on hand or in process at the time of such transfer, which Purchaser shall have the right to dispose of.

* * *

Section 6.4—Until the contingent purchase price shall have been paid in full, or the patents and patent applications listed on Exhibit E shall have been transferred for the benefit of the Shareholders and Rights Holders as provided in section 6.2, Purchaser shall maintain in full force and effect the patents and patents issuing on the applications listed on Exhibit E, and shall make reasonable businesslike efforts to prosecute all of the pending patent applications listed on Exhibit E, and to defend any attack made on the validity or scope of said patents and patent applications; provided, however, that the Purchaser may elect to discontinue such efforts if it shall determine in good faith that further action is unduly burdensome and shall give to the Shareholders and Rights Holders such timely notice of such determination as will permit them, at their expense, to continue or arrange for the continuation of such efforts.

APPENDIX C

Statutes

35 U.S.C. § 102

§ 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other. As amended July 28, 1972, Pub. L. 92-358, § 2, 86 Stat. 502; Nov. 14, 1975, Pub. L. 94-131, § 5, 89 Stat. 691.

35 U.S.C. § 103

§ 103. Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798.

35 U.S.C. § 112

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. As amended July 24, 1965, Pub. L. 89-83, § 9, 79 Stat. 261; Nov. 14, 1975, Pub. L. 94-131, § 7, 89 Stat. 691.

35 U.S.C. § 251

§ 251. Reissue of defective patents

Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or draw-

ing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Commissioner shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

The Commissioner may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

No reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent. July 19, 1952, c. 950, § 1, 66 Stat. 808.

35 U.S.C. § 252

§ 252. Effect of reissue

The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of

action then existing, and the reissued patent, to the extent that its claims are identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue. July 19, 1952, c. 950, § 1, 66 Stat. 808.

35 U.S.C. § 271

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material

or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. July 19, 1952, c. 950, § 1, 66 Stat. 811.

35 U.S.C. § 281

§ 281. Remedy for infringement of patent

A patentee shall have remedy by civil action for infringement of his patent. July 19, 1952, c. 950, § 1, 66 Stat. 812.

APPENDIX D

Denial of Petition for Leave to Appeal, Illinois Supreme Court

ILLINOIS SUPREME COURT
CLELL L. WOODS, CLERK
Supreme Court Building
Springfield, Ill. 62706
(217) 782-2035

November 30, 1978

Mr. J. William Hayton
Attorney at Law
Bell, Boyd, Lloyd, Haddad
& Burns
135 South LaSalle St.
Chicago, IL 60603

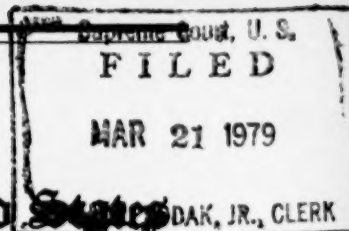
No. 51289—Harold Burke, et al., respondents, vs. Pittway Corporation, petitioner. Leave to appeal, Appellate Court, First District.

The Supreme Court today denied the petition for leave to appeal in the above entitled cause.

Very truly yours,

/s/ Clell L. Woods
Clerk of the Supreme Court

**In the
Supreme Court of the United States**



OCTOBER TERM, 1978

No. 78-1322

PITTFWAY CORPORATION,

Petitioner,

v.

HAROLD BURKE, et al,

Respondents.

**OPPOSITION TO PETITION FOR
A WRIT OF CERTIORARI**

CLEMENS HUFMANN

*One of the attorneys
for Respondents*

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Of Counsel:

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& WYSS**
20 North Wacker Drive
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**In the
Supreme Court of the United States**

OCTOBER TERM, 1978

No. 78-1322

PITTMAY CORPORATION,

Petitioner,

v.

HAROLD BURKE, et al,

Respondents.

**OPPOSITION TO PETITION FOR
A WRIT OF CERTIORARI**

REASONS FOR DENYING THE PETITION

Petitioner (hereinafter "Pittway") asks this Court to answer the following question (Petition p. 2):

"Whether the accepted jurisdictional test applicable in determining whether an action 'arises under' the federal courts' non-exclusive federal jurisdiction (28 U.S.C. §1331(a)) is equally applicable in determining whether the action is one 'arising under' the federal courts' exclusive jurisdiction in patent cases (28 U.S.C. §1338(a))?"

Contrary to Rule 23(c) of the Rules of this Court the question is not "expressed in the terms and circumstances of the case." The question presented is expressed at a level of abstraction and universality which is shunned by judges. The question posed here by Pittway was raised in *Enders v. Amer-*

ican Patent Search Co., 535 F2d 1085 (9th Cir. 1976), cert. den. 429 U.S. 888. The court left the question unresolved but commented, inter alia, (535 F2d p. 1088, note 2):

"There would be nothing novel about construing the same 'arising under' phrase differently in different contexts."

Illinois' subject matter jurisdiction over the complaint would not be ousted even if "arising under" in 28 U.S.C. §1338(a) were interpreted as precisely synonymous with "arises under" in 28 U.S.C. §1331(a). No aspect of federal patent law is essential to plaintiffs' success in the present case.

In the court below Pittway contended that the court is "necessarily required" (Petition p. 15) by the present complaint to construe and apply various sections of the Patent Act. In the court below Pittway concentrated most emphatically on the assertion that the patentability or validity of claim 13 of the Original Patent Application was crucial for the determination of the merits of the complaint. For example, on page 17 of its Petition For Rehearing in the court below Pittway summarized its argument as follows:

"In sum, the cause of action asserted in each of counts I, II, IV, V and VI depends on the allegations that claim 13 was patentable (valid), and should have been obtained as part of the Original Patent."

With respect to each of the counts pleaded in the complaint Pittway's last quoted argument was analyzed and rejected by the court below (Petition pp. 7a, 9a):

"The [contractual] requirement that Pittway properly prosecute patent applications is not based upon the patentability of the inventions covered by the applications."

* * *

"Pittway asserts that its obligation to prosecute the Original Patent Application was limited to the prosecution of those claims which are allowable. That Claim 13, or other claims related to the Original Patent Application, would not be allowed is a defense raised by Pittway and not a prerequisite to proof of the cause of action alleged by plaintiffs."

Thus the merits of the complaint under Illinois law do not turn on patentability or patent validity, i.e., the construction and application of 35 U.S.C. §§102, 103 and 112. Patent invalidity or unpatentability of claims in a patent application can become subjects of this litigation only if Pittway were to plead them defensively and were allowed to offer supporting evidence at the trial. Insofar as the complaint charges Pittway with "bad faith" and "breach of its fiduciary duty" (Petition pp. 21a, 22a, 23a, 25a, 27a) patent invalidity or lack of patentability cannot be raised as defense, *Roberts v. Sears, Roebuck & Co.*, 573 F2d 976, 982 (7th Cir. 1978), cert. den. 99 S. Ct. 179.

Pittway also argues that the complaint requires interpretation and application of 35 U.S.C. §§252, 271 and 282 (Petition pp. 14-15). Pittway's presentation of this argument in the court below was not as elaborate as the presentation of the validity and patentability argument. Only the last two and one half pages of Pittway's Petition For Rehearing in the court below dealt with the purported necessity of interpreting and applying 35 U.S.C. §§252, 271 and 281. This disparity in Pittway's emphasis may be one reason why the opinion of the court below contains little comment specific to the three last cited sections on the patent laws. Nevertheless the court below rejected Pittway's argument in toto by observing toward the end of its opinion (Petition p. 12a):

"The entire cause of action is based upon Pittway's alleged failure to comply with certain provisions of the contract regarding prosecution and patent applications, notice, and payment of royalties."

Thus Illinois law warrants recovery under the complaint without any need for interpreting and applying any provision of the Patent Act. Under Illinois law questions of patent law are not essential to the complaint. If such questions arise at all, they arise only by way of defense or collaterally. Pittway has not asked this Court to review and modify the Illinois law governing the breaches of contract and other claims alleged in the complaint or the allocation of the burden of proof with respect to potential defenses.

CONCLUSION

In view of the unchallenged substantive law of Illinois the resolution of the abstract question posed by Pittway could not remove the complaint from the subject matter jurisdiction of the Illinois courts. Consequently the petition should be denied.

Respectfully submitted,

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Date: March 20, 1979